

<sup>2</sup> Application at 1. The Pilot Program closed in April of 2017. *See Application of Virginia Electric and Power Company, For approval to establish a renewable generation pilot program pursuant to §56-234 of the Code of Virginia*, Case No. PUE-2012-00142, 2013 S.C.C. Ann. Rep 346, Final Order (Dec. 16, 2013) (“Pilot

of Schedule RG have been developed through and in response to discussions with large non-residential and potential customers.<sup>3</sup> Dominion pointed out that Schedule RG is designed to allow participating customers to benefit from the Company's sale of energy output of specified renewable generation facilities into the PJM Interconnection, LLC ("PJM") markets, while increasing the level of renewable energy generation and use in the Commonwealth.<sup>4</sup>

On December 28, 2017, the Commission issued an Order for Notice and Comment that, among other things: (i) docketed the matter; (ii) directed Dominion to provide notice of the Application; (iii) established a schedule for the filing of written comments, notices of participation, and written request(s) for a hearing; (iv) directed Staff to investigate the Application and file a report regarding its investigation; and (v) appointed a Hearing Examiner to conduct all further proceedings and file a Report containing findings and recommendations pertaining to the Application.

On January 31, 2018, Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Walmart"), by counsel, filed a Notice of Participation.

On February 7, 2018, Dominion filed its Proof of Notice.

On February 26, 2018, Dominion filed a Motion of Virginia Electric and Power Company for Entry of a Protective Ruling ("Motion"). The Motion was granted in a Protective Ruling entered on March 2, 2018.

On March 13, 2018, the Mid-Atlantic Renewable Energy Coalition ("MAREC")<sup>5</sup>, Advanced Energy Economy, Inc. ("AEE")<sup>6</sup>, and Virginia Advanced Energy Economy ("Virginia AEE")<sup>7</sup> (collectively "Joint Respondents") filed a Joint Notice of Participation.

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Program Order"). The Company represented that it is not offering an experimental rate in the pending case. Application at 4, n.1.

<sup>3</sup> Application at 4, 5, and 15.

<sup>4</sup> *Id.* at 6.

<sup>5</sup> MAREC's membership includes solar and wind developers, wind turbine manufacturers, service companies, non-profit organizations and a transmission company dedicated to the growth of renewable energy technologies. MAREC's mission is to improve and enhance opportunities for renewable energy development in Washington, D.C., and the eight states in the Mid-Atlantic region, including Virginia. Joint Respondents Comments at 3, 4.

<sup>6</sup> AEE is a national association of advanced energy business leaders who are making the global energy system more secure, clean, and affordable. AEE is active at the federal level and in 28 states across the country, working with a coalition of 16 state partner organizations. AEE's membership includes developers and implementers of advanced energy technologies and services, competitive service providers ("CSPs") and large energy users seeking to procure renewable energy. Joint Respondents Comments at 4.

<sup>7</sup> Virginia AEE is a coalition of businesses that seek to make the Commonwealth's energy more secure, clean and affordable, thereby enhancing Virginia's economy. Virginia AEE proposes to drive the development of advanced energy by identifying growth opportunities, removing policy barriers, encouraging market-based policies, establishing partnerships, and serving as the voice of innovative companies in the advanced energy sector. Joint Respondents Comments at 5.

On March 13, 2018, counsel for Joint Respondents filed a Motion for Admission *Pro Hac Vice* of Bruce H. Burcat. By Ruling dated March 15, 2018, Mr. Burcat was admitted *pro hac vice* for purposes of this proceeding.

Also on March 13, 2018, Culpeper County, Virginia, through its Board of Supervisors (“Culpeper County”), filed a Notice of Participation. Culpeper County did not file comments or otherwise participate in this proceeding.

## **SUMMARY OF THE RECORD**

### **Dominion’s Direct Testimony**

In support of its Application, Dominion presented the written testimonies of Robert J. Trexler, director of regulation for Dominion; James M. Billingsley, manager of power contracts and origination for Dominion; and Derek L. Wenger, manager of new technology and renewable programs for Dominion.

**Mr. Trexler** provided testimony in support of Schedule RG which, if approved by the Commission, would be available to eligible commercial and industrial customers who support the development of new, or use of existing, renewable energy generation facilities and commit to purchase up to 100% of the net electric energy output generated exclusively from such renewable generation facilities. This includes the Environmental Attributes<sup>8</sup> associated with the renewable energy purchased, in an amount that corresponds with up to 100% of the customer’s annual electric energy load.<sup>9</sup> Mr. Trexler pointed out that Schedule RG would be a voluntary companion tariff to an approved applicable tariff, currently including the Company’s Rate Schedule GS-1, Small General Service; Rate Schedule GS-2, Intermediate General Service; Rate Schedule GS-2T, Intermediate General Service Time-of-Usage; Rate Schedule GS-3, Large General Service – Secondary Voltage; Rate Schedule GS-4, Large General Service – Primary Voltage; Rate Schedule 10, Large General Service; Rate Schedule 27, Outdoor Lighting Service – High Pressure Sodium Vapor; and Rate Schedule 28, Outdoor Lighting Service for Outdoor Lighting Served on Schedule 28 (“Principal Tariffs”), under which participating customer will continue to be served.<sup>10</sup>

Mr. Trexler stated that the purpose of his testimony is to explain: (i) how Schedule RG is modeled after the Pilot Program, which was approved by the Commission in its Pilot Program Order, with four significant improvements based on customer feedback; (ii) the

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<sup>8</sup> “Environmental Attributes” means an aspect, claim, characteristic, or benefit, howsoever entitled, associated with the generation of a quantity of electric energy by renewable generation facility, other than the electric energy produced, and, ancillary services, or capacity benefit produced by the renewable generation facility that is capable of being measured, verified or calculated. Environmental Attributes include Renewable Energy Certificates (“RECs”), but do not include federal, state and local tax credits or other incentives. As used herein, REC means the certificate or other transferable indicia created under the applicable program associated with one megawatt-hour (“MWh”) of electric energy generated by the applicable renewable generation facility. Application at 6, n.4.

<sup>9</sup> *Id.* at 6.

<sup>10</sup> Trexler Direct at 1, 2.

mechanics and structure of Schedule RG and (iii) how customers will be charged and billed under Schedule RG.<sup>11</sup>

Mr. Trexler explained the four significant improvements as follows:

1. The billing adjustment under the Pilot Program received by participating customers was a credit primarily based on the Company's fuel rider charge for the quantity of renewable energy purchased. Under Schedule RG, a participating customer will see a billing adjustment reflecting the market value of renewable energy purchased from specified renewable energy resources under this schedule;
2. The Pilot Program did not permit aggregation of accounts, whereas Schedule RG permits a single customer to aggregate multiple accounts, and the aforementioned billing adjustment may be distributed among a single customer's multiple accounts;
3. The administrative charge under the Pilot Program was \$500 per month per account served and did not permit for aggregating accounts. By contrast, the Schedule RG Administrative Charge is assessed for each customer per renewable generation facility, which may serve multiple accounts for the same customer; and
4. Unlike the Pilot Program, which restricted each customer's renewable energy purchases to a maximum of 24,000 MWh per year, Schedule RG only limits participating customers' renewable energy purchases to each customer's actual annual energy load.<sup>12</sup>

Mr. Trexler believes that, because these changes were based on discussions with potential customers, the improvements will significantly increase customer interest in Schedule RG. Mr. Trexler pointed out that over the past several years, the Company has received "a host of inquiries" from current and prospective commercial and industrial customers interested in renewable energy options. Many large energy users have sustainability goals or mandates to power their facilities with renewable energy. Mr. Trexler advised that often these current and potential customers view sustainability as a core principle of their business strategy, and make expansion or new facility siting determinations based on the availability of renewable energy options. To meet the needs and desires of these customers, Mr. Trexler stated that the Company has been and remains in communication with many large, non-residential customers with demonstrated interest in Schedule RG. In particular, Mr. Trexler noted that the Company has worked closely with Walmart during the development of Schedule RG to create a tool that it could utilize to further its aggressive and significant renewable energy goals.<sup>13</sup>

Mr. Trexler noted that, in addition to the four improvements discussed above, there are other benefits to Schedule RG such as the fact that it is designed to allow participating customers to benefit from the Company's sale of the energy output of specified renewable

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<sup>11</sup> *Id.* at 2, 3.

<sup>12</sup> *Id.* at 3.

<sup>13</sup> *Id.* at 3, 4.

generation facilities into PJM wholesale markets, while increasing the level of renewable generation and utilization in the Commonwealth. Through the arrangement facilitated by Schedule RG, participating customers will continue to purchase energy and capacity from Dominion and commit to purchase a specified quantity of kilowatt-hours of electrical output generated by specified renewable generation facilities and delivered to the Company's electrical grid, pursuant to the terms of the customers' written agreements with the Company.<sup>14</sup>

Mr. Trexler further explained that a customer wishing to apply for service under Schedule RG must agree to purchase its electrical output from a Company-owned renewable resource ("Company Renewable Resource") or through a power purchase agreement of at least 1,000 kilowatts in nameplate capacity, where the electric energy purchased does not exceed the customer's annual electrical energy load. Mr. Trexler noted that Schedule RG would be available to eligible customers until an initial proposed cap of 50 customers is met ("Customer Cap"). Schedule RG would allow each participating customer to purchase, in an amount up to 100% of its annual electrical energy load, the net energy output from renewable energy resources, as well as the Environmental Attributes associated with the renewable energy.<sup>15</sup>

Mr. Trexler elaborated on the renewable generation facilities to be utilized with Schedule RG. The Company will (i) contract with a third-party renewable energy provider ("Renewable Generator") to purchase the desired electrical output and associated Environmental Attributes on the customer's behalf and/or (ii) at the customer's request and subject to mutually agreeable terms, construct a renewable generation facility on the customer's behalf to generate the desired electrical output. Mr. Trexler advised that a participating customer may request a specific type of renewable energy resource, if it generates "renewable energy" as defined by § 56-576 of the Code, which includes, in relevant part:

[e]nergy derived from sunlight, wind, falling water, biomass, sustainable or otherwise, (the definitions of which shall be liberally construed), energy from waste, landfill gas, municipal solid waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas or nuclear power.

Under Schedule RG, Mr. Trexler noted any renewable generation facility from which the Company will purchase renewable energy on behalf of a participating customer may be located outside of the Company's service territory, but must be located physically within and interconnected with the PJM wholesale market for purposes of accounting for the generation and delivery of the electrical output along with the associated Environmental Attributes.<sup>16</sup>

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<sup>14</sup> *Id.* at 5.

<sup>15</sup> *Id.* at 5, 6.

<sup>16</sup> *Id.* at 6, 7.

Mr. Trexler explained the structure of Schedule RG by pointing out that all Schedule RG customers must execute a Customer Contract for the Purchase of Renewable Generation Pursuant to Virginia Electric and Power Company's Schedule RG – Renewable Generation Supply Service ("Schedule RG Agreement") with the Company. The Schedule RG Agreement sets forth the mutual terms and conditions associated with the Company's purchase or supply of renewable generation to be delivered to the electric grid on behalf of the customer from each renewable generation facility under Schedule RG. When the renewable generation facility is not constructed by the Company, the Company and the Renewable Generator will enter into a Renewable Generation Power Purchase Agreement ("Schedule RG PPA") on behalf of the customer.<sup>17</sup>

Mr. Trexler stated that the Company intends to contain the cost of purchasing electrical output under Schedule RG to each participating customer. A participating customer would sign the Schedule RG Agreement with the Company, pursuant to which the customer agrees to be responsible for all costs associated with its purchase of electrical output and any associated Environmental Attributes under Schedule RG, including any administrative costs. Mr. Trexler emphasized that, under a customer's Schedule RG Agreement, no costs related to the Schedule RG PPA, or the Company Renewable Resource, if applicable, would be assigned to the Company's other jurisdictional or non-jurisdictional customers.<sup>18</sup>

Mr. Trexler pointed out that each customer taking service under Schedule RG would still pay the capacity and energy charges, including applicable rate adjustment clause charges and fuel rider charges, associated with the full requirements of its load.<sup>19</sup>

Mr. Trexler advised that, because Schedule RG is designed as a companion tariff to an applicable Principal Tariff, a participating customer's monthly billing statement would look much as it does today. The exception to this is that it would also reflect the cost associated with contracted-for renewable energy, net PJM settlement credits and charges associated with the customer's purchase of electrical output by specified renewable generation facilities under Schedule RG. The Net Schedule RG Settlement is comprised of the following components: (i) the "Schedule RG Charge"; (ii) the "Schedule RG Adjustment"; and (iii) the "Schedule RG Administrative Charge."<sup>20</sup>

Mr. Trexler provided further elaboration of the three components of the Net Schedule RG Settlement:

- The Schedule RG Charge would be set forth in the Schedule RG Agreement and would represent the cost of the electrical output delivered by the specified renewable generation facility, including the capacity costs, as applicable, of the specified renewable generation facility, and would be driven by the terms of the Schedule RG PPA or the agreement reflecting the use of a Company Renewable Resource. The

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<sup>17</sup> *Id.* at 7.

<sup>18</sup> *Id.* at 7, 8.

<sup>19</sup> *Id.* at 8.

<sup>20</sup> *Id.*

Schedule RG Charge would also reflect the purchase of the associated Environmental Attributes, which would be retired on behalf of the participating customer;

- The Schedule RG Adjustment, which is designed to reflect the customer's purchase of electrical output, would be equal to the PJM settlement credits for the electrical output of the Schedule RG PPA, if applicable, and/or the Company Renewable Resource. The PJM settlement credits would represent all charges and credits, as billed by PJM for the application of the energy and capacity, if applicable, to the electric grid. The PJM settlement credits may include, but are not limited to, capacity credits, if applicable, energy credits and balancing, ancillary, and/or administration charges or credits; and
- The Schedule RG Administrative Charge would be equal to the greater of (i) \$500 for each 30-day billing period, or (ii) \$0.25 per MWh supplied by each Renewable Generator and/or Company Renewable Resource for which the customer has contracted to purchase electrical output pursuant to Schedule RG.<sup>21</sup>

Mr. Trexler maintained that Schedule RG is just and reasonable because the Net Schedule RG Settlement would be designed to recover the Company's actual costs to serve each participating customer under the schedule, inclusive of applicable PJM settlement credits and administrative charges. Again, Mr. Trexler emphasized that non-participating customers would not be required to pay for or subsidize the costs to serve Schedule RG customers with renewable energy. Mr. Trexler maintained that Schedule RG is also just and reasonable because participating customers would continue to be billed under their Principal Tariffs, consistent with the corresponding standard rate schedules for non-participating customers.<sup>22</sup>

Mr. Trexler asserted that Schedule RG is in the public interest because it would further the Commonwealth Energy Policy stated in §§ 67-101 and 67-102 of the Code and the Governor's executive actions encouraging utilities to increase their renewable power generation and decrease carbon dioxide emissions. The Company would endeavor to source new renewable energy resources located within the Commonwealth to serve customers under Schedule RG, to the extent such resources are available and consistent with participating customers' needs and interests.<sup>23</sup>

Specifically, Mr. Trexler stated that the Company's offering of Schedule RG would support the objectives set forth under § 67-101 of the Code to increase Virginia's reliance on sources of energy that, as compared to traditional energy resources, are less polluting of the Commonwealth's air and water. Further, Mr. Trexler maintained Schedule RG is consistent with the goals under § 67-102 of the Code to "[s]upport research and development of, and promote the use of, renewable energy sources," and to "[p]romote the

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<sup>21</sup> *Id.* at 9.

<sup>22</sup> *Id.* at 10.

<sup>23</sup> *Id.*

generation of electricity through technologies that do not contribute to greenhouse gases and global warming.”<sup>24</sup>

Finally, Mr. Trexler pointed out that implementation of Schedule RG is consistent with the goals of the Commonwealth Energy Policy to accelerate the development of renewable energy sources in Virginia, ensure a diverse fuel mix, and promote long-term economic health. Additionally, Schedule RG furthers the goals of former Governor McAuliffe’s Executive Order 57 to reduce carbon emissions in Virginia while encouraging a pathway for clean energy initiatives that will grow jobs and help diversify the economy.<sup>25</sup>

**Mr. Billingsley** provided information as to how the Company plans to source the renewable energy that will serve Schedule RG customers and explained the renewable energy resource contracting process. To obtain the renewable energy that will serve Schedule RG customers, Mr. Billingsley stated that the Company plans to solicit the renewable energy wholesale market, as necessary, within PJM and negotiate and execute Schedule RG PPAs with third-party renewable energy providers. Mr. Billingsley noted that Dominion has significant experience and contacts in the wholesale renewable energy markets within PJM and is, therefore, well suited to identify and transact for the renewable energy supply required by its Schedule RG customers. Further, Mr. Billingsley stated that Dominion may develop and construct Company Renewable Resources to serve Schedule RG customer demand.<sup>26</sup>

Mr. Billingsley explained that, under Schedule RG, any renewable generation facility from which the Company purchases renewable energy on behalf of a participating customer must be interconnected with PJM for purposes of accounting for the generation and delivery of the energy and the associated Environmental Attributes. Therefore, although a renewable generation facility may physically be located outside the Company’s service territory, it must be within the geographic scope of the PJM wholesale market. In addition, Mr. Billingsley stated that prospective Schedule RG customers may request that their desired electrical output be supplied by a specific Renewable Generator(s), subject to the Company’s execution of a Schedule RG PPA with such Renewable Generator(s).<sup>27</sup>

Mr. Billingsley described the resource contracting process as one in which the Company, following the enrollment period for prospective customers under Schedule RG, initiates a market solicitation process to identify renewable generation facilities that have the ability, individually or collectively, to service the electrical output and capacity requirements of Schedule RG customers. Mr. Billingsley noted that renewable generation facilities must meet the definition of “renewable energy” as set forth in § 56-576 of the Code and that the Company may, at its discretion, choose to aggregate multiple customers to improve procurement efficiencies as well as the costs and Schedule RG pricing for

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<sup>24</sup> *Id.* at 10, 11.

<sup>25</sup> *Id.* at 11.

<sup>26</sup> Billingsley Direct at 2, 3.

<sup>27</sup> *Id.* at 3.



customers. The Company expects the market solicitation process to take approximately two months.<sup>28</sup>

Once the Company has identified appropriate renewable generation facilities, Mr. Billingsley stated the Company will provide indicative pricing to prospective Schedule RG customers. If a prospective customer requests that the Company purchase renewable energy from a Renewable Generator(s) on its behalf, the Company will formally negotiate and execute a Schedule RG PPA(s) with the Renewable Generator(s). The Schedule RG PPA(s) will address the terms of the Company's purchase of renewable energy from the Renewable Generator(s) and the delivery of the renewable energy to the Company's electric grid.<sup>29</sup>

Mr. Billingsley explained that a Schedule RG PPA will identify the type of renewable generation facility that will generate the electrical output to be purchased and will specify the energy charge for each renewable generation facility's electrical output in dollars-per-kilowatt-month and, if applicable, the capacity costs of each specified renewable generation facility in dollars-per-kilowatt-month. In addition, Mr. Billingsley advised that the Schedule RG PPA will identify the participating customer as a third-party beneficiary to the agreement. Mr. Billingsley confirmed that no costs related to the Schedule RG PPA or the Company Renewable Resource would be assigned to the Company's other jurisdictional or non-jurisdictional customers.<sup>30</sup>

Mr. Billingsley advised that the Company expects to begin providing service under Schedule RG approximately nine months following approval by the Commission, although this timeline and process may vary depending on the number of customers who express interest in Schedule RG and the specific resources available when enrollment begins. For example, customers requesting a specific Renewable Generator may not require a market solicitation, thus shortening the time before service under Schedule RG may begin.<sup>31</sup>

**Mr. Wenger** provided an overview of how eligible customers may enroll in Schedule RG and how Schedule RG will be communicated to prospective customers. Mr. Wenger explained that Dominion would solicit customer interest in Schedule RG during a three-month enrollment period within sixty (60) days of receiving Commission approval and, at a minimum, once per year thereafter. The frequency of the solicitations may occur more than once per year as warranted by aggregate customer interest. An exception, noted by Mr. Wenger, would occur if a prospective customer identifies a Renewable Generator with whom the Company could execute a Schedule RG PPA on the customer's behalf or if the prospective customer requests that the Company construct a renewable generation facility to generate the desired renewable energy on its behalf.<sup>32</sup>

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<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 4, 5.

<sup>30</sup> *Id.* at 5, 6.

<sup>31</sup> *Id.* at 6.

<sup>32</sup> Wenger Direct at 2.

Mr. Wenger stated that Schedule RG would be available to eligible customers until the initial proposed Customer Cap is met. Upon approval, an electronic enrollment process would be offered on the Company's website for eligible customers. During the enrollment period, Mr. Wenger explained that the Company would solicit interest in Schedule RG through a variety of means, such as news releases, direct mail, email, and social media. The Company would also establish a dedicated webpage on the Dominion website. Additionally, the Company would ensure that customer service representatives are equipped with information about Schedule RG and that other Company employees would be available to provide additional detail on the program should customers have more in-depth questions.<sup>33</sup>

Mr. Wenger advised that the electronic enrollment process would be available on-line and would include the specific requirements of Schedule RG. Further, prospective Schedule RG participants requesting that the Company identify a renewable generation facility would be able to apply from the website electronically during the annual three-month enrollment period. Prospective participants that provide the Company with an identified renewable generation facility would be able to apply from the website at any time prior to Schedule RG reaching the Customer Cap.<sup>34</sup>

### Walmart's Comments

On April 10, 2018, Walmart filed the Comments of Wal-Mart Stores East, LP and Sam's East, Inc. ("Walmart Comments"). Walmart stated that it operates 155 retail units and four distribution centers and employs over 44,000 associates in Virginia. Out of that total, Walmart has 96 stores, two distribution centers, and related facilities that take electric service from Dominion.<sup>35</sup>

Walmart explained that it has established aggressive and significant company-wide renewable energy goals, including: (i) to be supplied by 50% renewable energy by 2025, and (ii) to ultimately be supplied by 100% renewable energy. In addition, Walmart stated that it has set a science-based target to reduce emissions in its operations by 18% by 2025 through the deployment of energy efficiency measures and the consumption of renewable energy. Walmart pointed out that, to date, it takes electricity from one or more renewable resources in 19 states and Puerto Rico, and that Virginia is not presently one of those states.<sup>36</sup>

Walmart explained that its desire for renewable energy resources must be balanced against its business needs. Generally, Walmart noted that it does not enter premium structures or programs that only result in additional costs to their facilities. Rather, Walmart seeks renewable energy resources that deliver industry leading cost, including Environmental Attributes such as RECs within structures where the value proposition

<sup>33</sup> *Id.* at 2, 3.

<sup>34</sup> *Id.* at 3, 4.

<sup>35</sup> Walmart Comments at 1.

<sup>36</sup> *Id.* at 1, 2.

allows the customer to receive any potential benefits brought about by taking on the risk of being served by that resource instead of, or in addition to, the otherwise applicable resource portfolio. Additionally, Walmart explained that corporate governance rules limit it from entering programs with terms in excess of 15 years.<sup>37</sup>

Walmart outlined the three primary channels it utilizes to secure renewable energy resources to meet renewable energy goals:<sup>38</sup>

- Contracting for off-site resources – These products are typically structured to replace other energy, both physically and on the bill. This mechanism allows Walmart to best leverage its scale to drive the best project economics while simultaneously minimizing transaction time and costs. To date, Walmart has primarily contracted for these resources through Texas Retail Energy, LLC (“TRE”), a competitive electric supplier wholly owned by Walmart that serves as its electric supplier in most deregulated retail markets, to directly serve Walmart’s load. Walmart is currently seeking to implement this option in Virginia. TRE has recently received a license from the Commission to operate as a CSP in Virginia.<sup>39</sup> Further, two petitions filed by Walmart are currently before the Commission to aggregate the load among its various locations to enable it to secure energy on a competitive basis from TRE pursuant to § 56-577 A 4 of the Code;<sup>40</sup>
- Contracting for on-site resources – Contracting for on-site, behind the meter resources through power purchase agreements and leases that allow for performance guarantees. These resources replace grid energy and are priced with the expectation that the operating costs for the site are reduced; and
- Utility partnerships – Working with utility partners to develop useable commercial and industrial programs and economic structures targeted to function within the confines of the regulatory compact and with minimal impact to non-participating customers. Walmart pointed out that when this option is pursued, it works to ensure that programs it assists to develop can be used by the broader group of large commercial and industrial customers, not just Walmart. Walmart explained that it has significant in-house rate and regulatory expertise that it utilizes to create opportunities to move the entire industry forward. Walmart stated that Schedule RG was created, in part, through Walmart’s engagement and discussions with Dominion.

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<sup>37</sup> *Id.* at 2.

<sup>38</sup> *Id.* at 2-4.

<sup>39</sup> *Application of Texas Retail Energy, LLC, For a license to conduct business as a competitive service provider of electricity*, Case No. PUR-2018-00007, Order Granting License (March 26, 2018).

<sup>40</sup> *Petition of Wal-Mart Stores East, LP and Sam’s East, Inc., For permission to aggregate or combine demands of two or more individual nonresidential retail customers of electric energy pursuant to § 56-577 A 4 of the Code of Virginia*, Case No. PUR-2017-00173; *Petition of Wal-Mart Stores East, LP and Sam’s East, Inc., For approval to aggregate its demand pursuant to permission to aggregate or combine demands of two or more individual nonresidential retail customers of electric energy pursuant to § 56-577 A 4 of the Code of Virginia*, Case No. PUR-2017-00174.

Walmart commended Dominion for seeking input from customers during the development of Schedule RG, and pointed out that Dominion's Schedule RG proposal was initially modeled after Dominion's Pilot Program, which closed in April of 2017. Walmart advised that the Schedule RG proposal goes further than the Pilot Program and corrects many factors that made the Pilot Program unworkable and limited the value proposition, particularly for large commercial multi-state customers. Walmart discussed the advances contained in Schedule RG since the Pilot Program below.<sup>41</sup>

- Schedule RG features a market-based value proposition that reflects the real-time economies of the selected resource. To this end, Walmart noted that Dominion's Schedule RG is based on PJM settlement charges and credits, as billed by PJM for the application of energy and capacity to the grid. In contrast, Walmart stated the Pilot Program used a "fuel swap" in which the participating customer paid a \$/kWh charge for the renewable resource and received a \$/kWh credit for the value of the Company's Fuel Charge Rider A. Walmart maintained that this adjustment is a key difference from the Pilot Program and is especially important for resources such as solar resources, which produce during hours that are typically higher cost and can also provide some capacity value to PJM due to production overlap with PJM's coincident peaks.<sup>42</sup>
- Schedule RG allows for aggregation of accounts and does not impose a limit below the customer's actual energy usage. Walmart emphasized that one key to renewable procurement is the ability of a customer to leverage the scale of its footprint to enable the procurement of larger and more economic resources. Allowing for aggregation and removing the artificial limit of the Pilot Program are critical factors (improvements) for the Schedule RG program to be usable by multi-site customers.<sup>43</sup>
- Walmart advised that the Dominion's Schedule RG Administrative Charge is no longer a "deal-breaker." Walmart confirmed that this charge, the greater of \$500/billing period or \$0.25/MWh supplied by each renewable resource, for which the customer (on an aggregated basis) has contracted is a significant improvement over the administrative charge contained in the Pilot Program.<sup>44</sup>

Walmart explained that a key goal in each program on which it worked in partnership with the utility has been to create a program that does not impact non-participants. Walmart stated that Schedule RG appears to meet that goal. First, all costs and benefits of the resource and market transactions are paid and received by the participating customer. Second, the participating customer is responsible for administration costs for the program. Finally, Walmart noted that because a participating customer in the

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<sup>41</sup> Walmart Comments at 4.

<sup>42</sup> *Id.* at 5.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 6.

Schedule RG program remains a full requirements customer<sup>45</sup>, Dominion will continue to recover its full cost of service incurred to provide service to that customer, including fixed distribution, transmission, and generation capacity costs.<sup>46</sup>

While Walmart believes Schedule RG has many positive attributes, at least one area of concern remains. Specifically, Walmart pointed out that it is unclear whether a participating customer can bring a resource to the table as part of the resource contracting process such that the customer, through their own solicitation processes, can identify the desired resource to use and negotiate the contract price and term. Walmart understands that it is ultimately Dominion, and not the customer, that will contract for the resource thereby limiting the extent to which the customer can negotiate the contract terms with the developer of a renewable energy resource. Dominion's testimony stated that "... the Company plans to initiate a market solicitation process as necessary, to identify renewable generation facilities . . . ." <sup>47</sup> This does not constitute clear guidance in Walmart's opinion. Considering this lack of clarity, Walmart asserted that if the Commission approves Schedule RG, it should require that Dominion allow customers to bring a resource to the table and create clear guidelines as to what portions of the terms are to be determined as part of the negotiation between the customer and the developer of a renewable energy source.<sup>48</sup>

### *Joint Respondents' Comments*

On April 10, 2018, Joint Respondents filed their Comments ("Joint Respondents Comments"). Joint Respondents stated that customers in Virginia and across the country have made their commitment to purchase renewable energy very clear. A growing number of companies are setting renewable energy and energy-related sustainability targets, with seventy-one (71) of the Fortune 100 companies now committed to reducing their energy-related impacts. Over 43% of the Fortune 500 companies have made similar commitments.<sup>49</sup> Joint Respondents stated that since 2013, U.S. corporations have purchased over 10 gigawatts of renewable energy from off-site projects.<sup>50</sup> These corporate customers now request greater choice when procuring renewable energy. The Corporate Renewable Energy Buyers' Principles confirm this desire, and companies in Virginia are working towards the same goals.<sup>51</sup> Joint Respondents represented that in 2016, eighteen (18) companies submitted a letter to the Commission voicing support for increased and diversified renewable energy supplies in Virginia.<sup>52</sup>

Joint Respondents maintained there are several aspects of the Company's proposed Schedule RG that have the potential to provide a new opportunity for customers whose

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<sup>45</sup> The Schedule RG customer would remain a customer under the Company's general rate schedules.

<sup>46</sup> Walmart Comments at 7.

<sup>47</sup> *Id.* at 7; Billingsley Direct at 4.

<sup>48</sup> Walmart Comments at 7.

<sup>49</sup> Joint Respondents Comments at 1.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 2.

<sup>52</sup> *Id.* at 1, 2, and Attachment A.

needs are not being met by or who are ineligible to participate in existing programs. These aspects include:

- A market solicitation process;
- A market-based billing structure;
- A program cap based on number of customers, not megawatts or megawatt-hours;
- Customer account aggregation;
- A 1,000-kW customer eligibility threshold;
- Options for customers to purchase from projects that jointly serve multiple participants; and
- REC treatment.<sup>53</sup>

Joint Respondents support a competitive bidding process that allows project selection based on both price and non-price factors as determined by utilities and regulators, identifying the best available projects to meet these specific needs. As such, Joint Respondents support a well-executed and transparent competitive selection process to ensure least-cost, market-based pricing for customers under Schedule RG. Joint Respondents noted that Dominion's proposal includes a market solicitation process and allows for Schedule RG PPAs with third-party suppliers, which is an important means of bringing costs down. However, Joint Respondents assert that for this to be successful, third-party suppliers must be guaranteed they can compete fairly with utility-owned resources through a transparent and competitive bidding process.<sup>54</sup>

Joint Respondents pointed out that voluntary renewable energy customers expect to pay fair, market-based prices for renewable energy, whether they transact bilaterally with a renewable energy developer or through their utility. They state that any utility offering must, therefore, ensure that customers will be paying fair, market-based prices. Joint Respondents agree that Dominion's proposed billing structure for Schedule RG charges customers according to the price of the renewable energy project selected to meet their needs through a competitive solicitation process (Schedule RG Charge) and credits customers according to the wholesale price for renewable energy and capacity associated with that project (Schedule RG Adjustment). Joint Respondents, with certain reservations, support the Company's billing structure proposed under Schedule RG.<sup>55</sup>

Joint Respondents further agree with Dominion's decision to cap participation by the number of customers (50) rather than megawatts or megawatt-hours, with the potential to expand the program in the future. They point out that, with the average power purchase agreement signed by individual corporate customers exceeding 90 MW between 2014-2016, programs with restrictive megawatts or megawatt-hour caps can sometime be too small to meet the needs of a single corporate customer and certainly too small to meet the demands of multiple customers. Joint Respondents, therefore, support the approach taken under Schedule RG which provides that "there is no cap proposed on the quantity of renewable

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<sup>53</sup> *Id.* at 2.

<sup>54</sup> *Id.* at 5, 6.

<sup>55</sup> *Id.* at 6.

energy purchases . . . except that a customer may only purchase up to 100% of its annual electrical energy load.” Finally, Joint Respondents do not take issue with the Company’s proposal to limit the initial program offering to 50 customers.<sup>56</sup>

Joint Respondents support the option for customers to aggregate accounts and the 1,000 kW eligibility threshold for customers, pointing out that many prospective customers have several delivery locations through Dominion’s service territory in Virginia. Without provisions allowing meter aggregation, programs would inevitably exclude customers with multiple locations because of the unnecessary added administrative requirements, and costs and/or logistical challenges. Joint Respondents pointed out that the Pilot Program did not allow meter aggregation, thus causing a concern for some customers.<sup>57</sup>

Joint Respondents support the opportunity for multiple customers to receive power from a larger project and encouraged Dominion to strengthen this option, with Dominion acting as an aggregator, it would allow smaller customers to achieve greater economies of scale. Joint Respondents encouraged Dominion to clearly communicate this opportunity to smaller customers who may be interested in enrolling some or all their Virginia-based load under Schedule RG.<sup>58</sup>

Joint Respondents support Dominion’s proposal that a customer’s Schedule RG commitment would include the RECs associated with its renewable energy purchase. Joint Respondents noted that the ability to claim the Environmental Attributes associated with a renewable energy project is a threshold requirement for most corporate purchasers.<sup>59</sup>

Joint Respondents asserted that there are, however, multiple changes that could be made to improve Schedule RG. These improvements would better suit the needs of a wider range of customers while continuing to bring benefit to the Commonwealth. These improvements include:

- Allowing customers to directly negotiate and execute power purchase agreements with renewable energy suppliers;
- Using a transparent and competitive market solicitation process;
- Reviewing the Schedule RG Administrative Charge and the Schedule RG Charge to ensure all customer charges are cost based;
- Ensuring that renewable energy developers’ needs around contract terms are met, and enabling flexible term options for customers;
- Clearly advertising the opportunity for multiple Schedule RG customers to receive power from a larger project;
- Clearly defining a re-enrollment process for participating customers; and

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<sup>56</sup> *Id.* 6, 7.

<sup>57</sup> *Id.* at 7, 8.

<sup>58</sup> *Id.* at 8.

<sup>59</sup> *Id.* at 9.





necessary to solicit and negotiate agreements required to provide off-setting energy on a monthly basis. As such, Staff believes it is possible that the costs associated with the solicitation and contract origination activities associated with Schedule RG and Schedule CRG differ. It is therefore possible, Staff contended, that the Schedule CRG Application fee is not representative of the costs that may be incurred in the administration of Schedule RG. Staff, however, does not oppose the Application Fee as proposed in Schedule RG *per se*.<sup>68</sup>

In its review of the Company's Application, Staff sought clarity regarding the Company's proposal to offer, subject to request by a prospective Schedule RG customer and mutually agreeable terms, Company Renewable Resources. Specifically, Staff had concerns regarding the following: (i) siting of Company Renewable Resources; (ii) whether any such resources existed or were in development; and (iii) the treatment of Company Renewable Resources in the event of a customer, for whom such resource had been built, were to default on its Schedule RG Agreement or permit its Schedule RG Agreement to expire while the resource had a remaining useful life.<sup>69</sup>

In response to Staff Interrogatory No. 2-11 (a), the Company stated that Company Renewable Resources would be located in Virginia. The Company's response to Staff Interrogatory No. 2-11 (b) stated that the Company would not seek a certificate of public convenience and necessity ("CPCN") from the Commission because the Company Renewable Resource would serve a Schedule RG customer and not all of Dominion's customers. Instead, the Company would seek a Permit by Rule from the Department of Environmental Quality ("DEQ"). If the Company Renewable Resource were not eligible for a Permit by Rule, then the Company would seek a CPCN from the Commission.<sup>70</sup>

Also in response to Staff Interrogatory No. 2-11, the Company stated that it intends to develop Company Renewable Resources only for customers "willing to enter into an agreement sufficient to pay for the facility."<sup>71</sup> In the case of a customer defaulting on its Schedule RG Agreement or a customer whose contract expires prior to the end of useful life for a Company Renewable Resource, the Company responded as follows:

[T]he Company would evaluate the following alternatives: 1) Whether to solicit new Schedule RG customers for the renewable generation facility; 2) Whether to sell the energy and [e]nvironmental [a]ttributes in the PJM market; and/or 3) Whether to sell the renewable generation facility.

The Company proposes that once operating, a Company Renewable Resource serving a Schedule RG customer will never be placed into the

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<sup>68</sup> Staff Report at 11.

<sup>69</sup> *Id.* at 15.

<sup>70</sup> *Id.* at 15, Attachment No. Staff-1 at 6.

<sup>71</sup> *Id.* at 16, Attachment No. Staff-1 at 24.

Company's cost of service revenue requirement that it collects from jurisdictional ratepayers.<sup>72</sup>

With this understanding, Staff is not opposed to the possible development of Company Renewable Resources under Schedule RG.<sup>73</sup>

However, regarding the length of contract terms, in response to Staff Interrogatory No. 3-20, the Company stated that no minimum contract term is proposed and that the term will be based on the desires of the customer and the ability to fulfill such term by Renewable Generators and/or Company Renewable Resources.<sup>74</sup> Staff has concerns regarding the appropriateness of the absence of a minimum contract term in the case of a customer requesting the building of Company Renewable Resources. Staff advised that some sources estimate that the useful life of a solar facility at between 25 and 40 years.<sup>75</sup>

Staff noted that, because the Schedule RG Charge would be the result of negotiations on behalf of customers seeking to participate in Schedule RG, actual Schedule RG rates are unknown now and thus unavailable for Staff to review. Staff also noted that the absence of an actual Schedule RG rate may be detrimental to Staff's ability to adequately investigate and respond to consumer complaints related to Schedule RG. Should a Schedule RG customer contact Staff with inquiries or disputes regarding the offered rate or the customer's bill, Staff may not be able to evaluate the reasonableness of an offered Schedule RG rate. A possible solution to Staff's concerns would be to amend Schedule RG and the Schedule RG Agreement to explicitly state that, upon request from a customer or Commission Staff, the calculation of the Net Schedule RG Settlement would be made available for review, with all underlying variables and calculations clearly identified. With this modification, and due to the voluntary nature of Schedule RG, Staff is not opposed to the Schedule RG rate structure.<sup>76</sup>

Staff pointed out that Dominion intends to "ring-fence" (protect non-participating ratepayers from the costs of the Schedule RG program) the revenues and costs associated with Schedule RG by maintaining separate PJM sub-accounts for Schedule RG facilities and utilizing accounting protocols similar to those used to isolate other revenues, costs and investments. Staff believes this should be adequate to ensure that Schedule RG's revenues, costs and investments do not impact non-participating customers. Staff advised that Dominion should also maintain evidence that RECs associated with Schedule RG have been retired on behalf of participating customers.<sup>77</sup>

Staff further believes, that in order to allow an opportunity for ongoing evaluation by the Commission, it may be appropriate for the Company to be directed to file annual reports regarding the status and customer count of Schedule RG.<sup>78</sup>

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<sup>72</sup> *Id.*

<sup>73</sup> *Id.* at 16.

<sup>74</sup> *Id.* at 12, Attachment No. Staff-1 at 23.

<sup>75</sup> *Id.* at 12.

<sup>76</sup> *Id.* at 14, 15.

<sup>77</sup> *Id.* at 16.

<sup>78</sup> *Id.* at 9.

Should the Commission decide to approve the Company's Schedule RG, Staff made the following recommendations:

1. Because of the historical lack of participation in the Company's Pilot Program and the uncertainty regarding the effects of the Company's proposed changes to the Pilot Program in Schedule RG, it may be appropriate to approve Schedule RG as an experimental or pilot program. Alternatively, to address this concern, the Commission may deem it appropriate to approve Schedule RG and provide a term by which the schedule would close should no customers elect to participate. One possible option for this term would be three years, which would be consistent with the Commission's Pilot Program Order;
2. Staff recommended that the Company be directed to file annual reports with the Commission at least until the proposed Customer Cap is reached to allow for further evaluation of Schedule RG by the Company, the Commission, and other stakeholders. This report should include a tracking of actual costs associated with the solicitation and negotiation process which are the basis for the Schedule RG Application Fee;
3. Should the Company choose to develop new Company Renewable Resources in the Commonwealth to exclusively serve its Schedule RG customers, Staff recommended the Company be required to obtain a CPCN, unless exempt under Code § 10.1-1197.8;
4. Staff recommended inclusion of a specific minimum contract term for customers requesting that the Company build a Company Renewable Resource for customers under Schedule RG. One possible minimum term would be fifteen (15) years; and
5. Staff recommended that Schedule RG and the Schedule RG Agreement be amended to include language allowing a customer and the Commission, upon request, review the calculation of the Net Schedule RG Settlement with all underlying variable and calculations clearly identified.

Staff believes the above recommendations provide transparency and, with adoption of those recommendations, is unopposed to the Company's proposed Schedule RG.<sup>79</sup>

#### **Dominion's Reply Comments**

On May 30, 2018, Dominion filed its Reply Comments ("Dominion Reply"). Dominion first addressed Staff's Comments by stating that it either agrees with, or does not oppose, three of Staff's five recommendations. First, Dominion agreed to obtain a CPCN to construct Company Renewable Resources in the Commonwealth to serve Schedule RG customers unless such facilities are covered by DEQ's Permit by Rule Process

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<sup>79</sup> *Id.* at 17, 18.

under § 10.1-1197.8 of the Code.<sup>80</sup>

Second, Dominion believes the four significant changes made to Schedule RG, all based on customer feedback, will greatly increase customer interest and participation in Schedule RG. However, Dominion does not oppose Staff's recommendation to limit Schedule RG to a three-year term if no customers take service under Schedule RG at the end of that time.<sup>81</sup> Given that the substantive changes made to Schedule RG were based on customer feedback following the Pilot Program, which was an experimental tariff, the current Schedule RG was neither believed to be, or proposed as, an experimental tariff. Moreover, Dominion maintained that adopting Staff's three-year recommended term obviates the need to deem Schedule RG experimental.<sup>82</sup>

Third, Dominion does not oppose Staff's recommendation to amend Schedule RG and the Schedule RG Agreement to include language allowing customers and Staff review the calculation of the Net Schedule RG Settlement when requested. The Company's position is in response to Staff's contention that the absence of an actual Schedule RG rate prevents Staff from adequately investigating and responding to Schedule RG customer complaints and constrains Staff's ability to evaluate the reasonableness of an offered rate.<sup>83</sup> The Company pointed out that there is no Schedule RG rate as such because customers would be billed through the Net Schedule RG Settlement, which is comprised of three components: (i) the Schedule RG Charge, which is negotiated during the execution of the Schedule RG Agreement; (ii) the Schedule RG Adjustment, which is designed to reflect the customer's purchase of electrical output; and (iii) the Schedule RG Administrative Charge, of (a) \$500 for each 30-day billing period or (b) \$0.25 per MWh supplied by each Renewable Generator and/or Company Renewable Resources for which the customer has contracted to purchase electrical output pursuant to Schedule RG.<sup>84</sup> Therefore, actual Schedule RG rates are unknown at this time, causing Staff to recommend that the Company amend Schedule RG and the Schedule RG Agreement to include explicit language allowing a customer and Staff to review the calculation of the Net Schedule RG Settlement with all underlying variables clearly identified.<sup>85</sup>

Dominion replied that it is willing to provide the calculation of the Net Schedule RG Settlement, on a confidential basis to the Commission upon request. Noting that the Schedule RG Agreement contains a Confidentiality provision (paragraph 17), which allows for the disclosure of any contract terms to state regulatory agencies like the Commission, the Company proposed to amend paragraph 17 to include the following underlined language:

No Party shall disclose, without the prior written consent of the other, the terms of any transaction conducted under, or in furtherance of, Schedule RG and the

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<sup>80</sup> Dominion Reply at 3.

<sup>81</sup> *Id.* at 4.

<sup>82</sup> *Id.* at 4, n.9.

<sup>83</sup> Staff Report at 14; Dominion Reply at 4.

<sup>84</sup> Application at 12, 13; Dominion Reply at 5.

<sup>85</sup> Staff Report at 14, 15; Dominion Reply at 5.



Schedule RG would create a voluntary, companion tariff for eligible commercial and industrial customers currently taking or agreeing to take service under an applicable tariff, currently including the Company's Principal Tariffs. Eligible customers would be able to purchase up to 100% of their annual electric energy load from renewable generation facilities and any associated Environmental Attributes. Dominion advised that as a result of continuing conversations with many large, non-residential customers with demonstrated interest in Schedule RG, the Company has made several alterations with the intent to improve the Pilot Program.<sup>91</sup> The Company's Application specifically identifies Walmart as one of the customers with whom it worked. Company witness Trexler identified four primary changes from the Company's Pilot Program made in consultation with customers to improve Schedule RG. The Company believes those alterations to its Pilot Program in Schedule RG will significantly increase customer interest in Schedule RG.<sup>92</sup>

### Applicable Code Sections

Section 56-234 A of the Code provides that "[i]t shall be the duty of every public utility to furnish reasonably adequate service and facilities at reasonable and just rates to any person, firm or corporation along its lines desiring the same." In addition, § 56-234 B provides:

It shall be the duty of every public utility to charge uniformly therefor all persons, corporations or municipal corporations using such service under like conditions. However, no provision of law shall be deemed to preclude voluntary rate or rate design tests or experiments, or other experiments involving the use of special rates, where such experiments have been approved by order of the Commission after notice and hearing and a finding that such experiments are necessary in order to acquire information which is or may be in furtherance of the public interest.

Section 67-101 of the Code describes the Commonwealth's energy objectives and states, in pertinent part:

The Commonwealth recognizes each of the following objectives pertaining to energy issues will advance the health, welfare, and safety of the residents of the Commonwealth:

....

9. Increasing Virginia's reliance on sources of energy that, compared to traditional energy resources, are less polluting of the Commonwealth's air and waters.

Section 67-102 of the Code sets forth the Commonwealth Energy Policy with a goal of achieving the objectives enumerated in § 67-101 including, "[s]upport research and development of, and promote the use of, renewable energy sources.'

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<sup>91</sup> Application at 4, 5.

<sup>92</sup> Trexler Direct at 4.

**Appropriate Authority for Construction of Company Renewable Resource**

Staff recommended that, should the Company choose to develop new Company Renewable Resources in the Commonwealth to exclusively serve its Schedule RG customers, the Company would be required to obtain a CPCN from the Commission, unless exempt under § 10.1-1197.8 of the Code.

Section 10.1-1197.5 defines “small renewable energy project” as: “(i) an electrical generation facility with a rated capacity not exceeding 150 megawatts that generates electricity only from sunlight or wind; (ii) an electrical generation facility with a rated capacity not exceeding 100 megawatts that generates electricity only from falling water, wave motion, tides, or geothermal power; or (iii) an electrical generation facility with a rated capacity not exceeding 20 megawatts that generates electricity only from biomass, energy from waste, or municipal solid waste.”

Section 10.1-1197.6 provides: “[DEQ] shall develop, by regulations to be effective as soon as practicable, but not later than July 1, 2012, a permit by rule or permits by rule if it is determined by [DEQ] that one or more such permits by rule are necessary for the construction and operation of small renewable energy projects, including such conditions and standards necessary to protect the Commonwealth’s natural resources.”

Section 10.1-1197.8 of the Code is entitled “Limitation of State Corporation Commission authority” and states as follows:

- A. If the owner or operator of a small renewable energy project to whom [DEQ] has authorized a permit by rule pursuant to this article is not a utility regulated pursuant to Title 56, then the State Corporation Commission shall not have jurisdiction to review the small renewable energy project or to condition the construction or operation of a small renewable energy project upon the State Corporation Commission’s issuance of any permit or certificate under any provision of Title 56, provided that the State Corporation Commission shall retain jurisdiction to resolve requests for joint use of the rights of way of public service corporations pursuant to § 56-259 and denials of requests for interconnection of facilities pursuant to § 56-578.
- B. If the owner or operator of a small renewable energy project by which [DEQ] has authorized a permit by rule pursuant to this article is a utility regulated pursuant to Title 56, such small renewable energy project shall be exempt from any provision of § 56-46.1 and any corresponding provision of subsection D of § 56-580 or Chapter 10.1 (§ 56-265.1 et seq.) of Title 56 that requires environmental review and permitting by the State Corporation Commission. An owner or operator of a small renewable energy project that is granted a permit by rule pursuant to subsection I of § 10.1-1197.6, shall not be required to obtain a certificate of public convenience and necessity pursuant to subsection D of § 56-580.

Dominion, in its Reply Comments, stated that it would obtain a CPCN to construct Company Renewable Resources in the Commonwealth to serve Schedule RG customers if such facilities are not covered by DEQ's Permit by Rule process pursuant to § 10.1-1197.8 of the Code.<sup>93</sup>

I find the Company's agreement to seek a CPCN if the facilities are not covered by DEQ's Permit by Rule process to be reasonable.

### **Requirements for Schedule RG**

The Company set forth two requirements for Schedule RG: the energy provided must meet the definition of "renewable energy" as defined by § 56-576 of the Code; and the source must be located within and interconnected to PJM.

Renewable generation facilities are those generating resources which provide renewable energy as defined by § 56-576 of the Code, which states, in part:

‘Renewable’ energy means energy derived from sunlight, wind, falling water, biomass, sustainable or otherwise, (the definitions of which shall be liberally construed), energy from waste, landfill gas, municipal solid waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas, or nuclear power.

As to the second proposed requirement, Joint Respondents acknowledged that Dominion proposes to solicit projects from outside its service territory, however, they recommended that any projects interconnected with the PJM wholesale market be eligible to serve customers under Schedule RG rather than only those projects interconnected *and* (emphasis added) physically located within the PJM market. Joint Respondents maintained that this increased flexibility does not fundamentally change the scope of the proposal, but would ensure that customers have options to the least-cost resources available in the PJM wholesale market.<sup>94</sup>

Dominion responded by emphasizing that any renewable generation facility from which the Company will purchase must be located physically within and interconnected with the PJM wholesale electric market for purposes of accounting for the generation and delivery of the energy and the associated Environmental Attributes.<sup>95</sup> Dominion explained that it does not intend to wheel power from, for example, Colorado across the country and into the PJM market. Dominion stated that it firmly believes that these parameters would allow for a robust, cost-effective market place that provides ample choice from which customers can source their renewable energy needs.<sup>96</sup>

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<sup>93</sup> Dominion Reply at 3.

<sup>94</sup> *Id.* at 14, 15.

<sup>95</sup> Application at 7.

<sup>96</sup> Dominion Reply at 10, 11.





prospective customer.<sup>100</sup> The following table sets forth the Company's proposed enrollment process:

**Proposed Schedule RG Enrollment Process<sup>101</sup>**

Months 1-3*	Enrollment period, including notification of customers interest
Months 4-5	Market solicitation process identifying Renewable Generators or evaluating the provision of Company Renewable Resources to meet identified customer interest
Month 6	Provide indicative pricing to customers and affirm continued interest
Months 7-8	Negotiate/execute Schedule RG Agreement and Schedule RG PPA as applicable
Months 9+	Customer begins service on Schedule RG
*Month 1 is intended to begin sixty days after Commission approval and at least once per year thereafter.	

Joint Respondents requested clarification on the timeline for enrollment for customers who either identify a specific Renewable Generator or request the construction of a Company Renewable Resource. Specifically, Joint Respondents maintain that, in such cases, the timeline for the customer to begin service should be determined by the operational date of the project selected to serve the customer's need, rather than following the nine-month process laid out for the standard enrollment and solicitation process. Joint Respondents pointed out that this approach would appear to be consistent with Dominion's intent, but is not defined in the Application.<sup>102</sup>

Joint Respondents also stated that while the initial enrollment process is well-defined, details are missing with regard to if and how a customer might re-enroll in the program. Joint Respondents maintained that a clearly defined re-enrollment process would provide better understanding to potential customers as they decide whether to initially enroll in the program.<sup>103</sup>

Joint Respondents point out that it is reasonable to expect participating customers to have an interest in re-enrolling in the program at the end of their contract terms. Specifically, Joint Respondents maintain that a re-enrollment option would give these customers more opportunity to reach their renewable energy and/or greenhouse gas

<sup>100</sup> Wenger Direct at 3.

<sup>101</sup> Application at 10, 11.

<sup>102</sup> Joint Respondents Comments at 13.

<sup>103</sup> *Id.* at 19, 20.

emissions goals and would certainly be in the public interest. Joint Respondents point out that multiple utilities have already successfully implemented tariffs with a re-enrollment option with a clearly defined re-enrollment process.<sup>104</sup>

Dominion responded to Joint Respondents' request for a clarification to the enrollment timeline when a customer identifies a specific Renewable Generator or requests that Dominion construct a Company Renewable Resource. Specifically, the Company stated that Joint Respondents suggest a timeline determined by the operational date of the project selected rather than the proposed nine-month timeline set forth in paragraph 17 of the Company's Application.<sup>105</sup> The Company responded by stating that the enrollment process provided in the Application serves only as a guideline to ensure efficient procurement and allocation of renewable energy resources. The Company maintained that it fully intends to advance the enrollment process to the extent feasible, but also recognizes the difficulty in determining future projects with customers not yet identified.<sup>106</sup>

I find that the Company has sufficiently defined the enrollment process, and further definition, as suggested by Joint Respondents, is unnecessary. Customers interested in continued Schedule RG participation can negotiate an extension to their agreement or simply re-enroll.

### **Rate Design, Pricing, and Billing**

#### ***Schedule RG Application Fee***

Dominion, in response to Staff Interrogatory 4-30, stated that the one-time, non-refundable Application Fee of \$2,000 is intended to defray the costs associated with the market solicitation process and contract origination activities for the Schedule RG Agreements and Schedule RG PPA(s). The \$2,000 Application Fee is also based on industry practice, as reflected in the application fee of similar programs offered by other utilities.<sup>107</sup> The Company maintained that the following estimates reflect the expectation that the vast majority of these costs would be labor costs:

Schedule RG Potential Customer Discussion	\$288 (4 hours @ \$72/hour)
Market Solicitation Preparation & Review	\$1,152 (16 hours @ \$72/hour)
Schedule RG PPA Negotiation	\$576 (8 hours @ \$72/hour)
Schedule RG PPA Legal Review	\$432 (4 hours @ \$108/hour)
Schedule RG Agreement Negotiation	\$576 (8 hours @ \$72/hour)
<b>Total</b>	<b>\$3,024<sup>108</sup></b>

<sup>104</sup> *Id.* at 20, 21.

<sup>105</sup> Dominion Reply at 9.

<sup>106</sup> *Id.*

<sup>107</sup> Staff Report at 11, Attachment No. Staff-1 at 25.

<sup>108</sup> *Id.*

Dominion maintained that it believes the Application Fee strikes a fair balance between covering some of the application and solicitation costs while not being overly burdensome to the commercial and industrial customers eligible for Schedule RG.<sup>109</sup> Further, the proposed \$2,000 Application Fee is the same amount as the Company proposed in the Pilot Program.

Staff does not oppose the Application Fee as proposed in Schedule RG *per se*; however, Staff notes that this fee may decrease the desirability of Schedule RG to prospective customers because a customer would be obligated to pay a sizeable fee prior to knowing their actual offered Schedule RG rate. Staff recommended that the Company track actual costs associated with the solicitation and negotiation processes and include them in a report to the Commission. Staff maintained this is necessary for further evaluation of the reasonableness of the \$2,000 Application Fee.<sup>110</sup>

I find that the \$2,000 Application Fee is reasonable given the information available. However, I further find that the Company should track actual costs associated with the Application Fee and include them in an annual report to the Commission, as recommended by Staff, to determine if the Schedule RG Application Fee is, in fact, reasonable.

### ***Schedule RG Settlement – Three Components***

#### ***1. Schedule RG Charge***

Customers receiving service under Schedule RG would continue to be billed in accordance with their applicable Principal Tariff, including applicable rate adjustment clause charges and fuel rider charges. The Company intends to “ring-fence” the costs associated with the purchase of renewable energy for customers under Schedule RG through the Schedule RG Agreement.<sup>111</sup> The Schedule RG Agreement would include the negotiated Schedule RG Charge, which is a negotiated rate, in dollars per MWh, reflecting the cost of electrical output delivered by the specified renewable generation facility, including capacity costs, as applicable, and the associated Environmental Attributes that would be retired on behalf of the participating customer.<sup>112</sup>

Regarding the Schedule RG Charge, Joint Respondents are generally supportive of Dominion’s proposed approach for setting customer costs based on negotiated Schedule RG PPA prices, including bundled RECs. However, Joint Respondents assert that Dominion has provided limited insight into how the Schedule RG PPA price would be used to determine the Schedule RG Charge. Joint Respondents point out that, in the Application, Dominion only stated that the Schedule RG Charge “will be driven by the terms of the Schedule RG PPA,” and that it “also reflects the purchase of the associated of the associated

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<sup>109</sup> *Id.*

<sup>110</sup> Staff Report at 11, 12.

<sup>111</sup> Trexler Direct at 8, 9.

<sup>112</sup> *Id.* at 9.

Environmental Attributes, which will be retired on behalf of the participating customer.”<sup>113</sup> Joint Respondents remain concerned that Dominion has not provided insight into whether any fees or margins would be added to the Schedule RG PPA to determine the Schedule RG Charge, and therefore encouraged the Commission to work with Dominion to ensure that customers receive a fair price that does not include any hidden or unknown fees.<sup>114</sup>

Joint Respondents maintain that the Commission should review the Schedule RG Charge to ensure all customer charges are cost-based. Joint Respondents note that, while voluntary renewable energy customers are willing to pay cost-based fees associated with renewable energy programs to ensure that nonparticipating customers are held harmless, such fees should not exceed the cost to the utility of arranging and administering such programs and should be distributed fairly among participants.<sup>115</sup>

The Company maintained that the its “proposed fees are just and reasonable, particularly when considering they are supported by the only customer to intervene in this matter, and consistent with comparable offerings.”<sup>116</sup>

## 2. *Schedule RG Adjustment*

The second component of the Net Schedule RG Settlement is the Schedule RG Adjustment. The Schedule RG Adjustment reflects the sale of energy and if applicable, capacity from the Renewable Generator or Company Renewable Resource, as appropriate, into PJM. The PJM settlement credits represent all charges and credits, as billed by PJM, for the application of the energy and capacity, if applicable, to the electrical grid and may include, but not limited to, capacity credits, if applicable, energy credits and balancing, ancillary, and/or administration charges or credits.<sup>117</sup>

## 3. *Schedule RG Administrative Charge*

The final component of the Net Schedule RG Settlement is the Schedule RG Administrative Charge, addressed in the Schedule RG Agreement, and shall be equal to the greater of (i) \$500 for each 30-day billing period or (ii) \$0.25 per MWh supplied by each Renewable Generator and/or Company Renewable Resource for which the customer has contracted to purchase electrical output pursuant to Schedule RG.<sup>118</sup> The Schedule RG Administrative Charge is intended to defray the ongoing costs associated with administering the program including customer billing, management of the Schedule RG Agreement and Schedule RG PPAs, and the administration of RECs produced by the renewable resources.<sup>119</sup>

<sup>113</sup> Joint Respondents Comments at 17; Application at 13.

<sup>114</sup> Joint Respondents Comments at 17, 18.

<sup>115</sup> *Id.* at 15.

<sup>116</sup> Dominion Reply at 12.

<sup>117</sup> Application at 13; Trexler Direct at 9.

<sup>118</sup> *Id.*

<sup>119</sup> Joint Respondents Comments at 16, Attachment B at DOM-SCHEDULERG-000012.

Regarding the Schedule RG Administration Charge of \$500 or \$0.25/MWh per month, the Company explained that the administration of Schedule RG agreements would be but one of several other non-related Schedule RG tasks that various employees will perform. “Ring-fencing” this cost is not practical in the Company’s opinion. Therefore, the Company believes that the \$500 or \$0.25/MWh monthly fee is a fair estimate to offset most of these costs. The Company provided the following breakdown of minimum monthly administrative costs:

Manager, Power Contracts & Origination	\$45 (0.5 hour @ \$90/hour)
Generation Asset Trader (Bid Unit into PJM)	\$144 (2 hours @ \$72/hour)
Lead Accountant (Settle/Reconcile PJM Bill)	\$58 (1 hour @ \$58/hour)
Sr. Power Contract Specialist (Manage Schedule RG PPA)	\$72 (1 hour @ \$72/hour)
Power Contracts Billing Analyst (Invoice Schedule RG PPA)	\$58 (1 hour @ \$58/hour)
Sr. Market Originator (RECs)	\$72 (1 hour @ \$72/hour)
Customer Account Manager (Manage Schedule RG Agreement)	\$72 (1 hour @ \$72/hour)
<b>Total</b>	<b>\$521<sup>120</sup></b>

The Company stated that the Schedule RG Administrative Charge is also based on the \$500 charge approved as part of the Company’s Pilot Program in 2012 and is consistent with industry practice. The \$0.25 per MWh option is intended to account for large renewable resources that would require more ongoing management. The Company explained that the Schedule RG Administrative Charge would be calculated each billing period to be the greater of \$500 or \$0.25 per MWh for each renewable resource serving the customer. The Company maintained that the basis for determining the Schedule RG Administrative Charge would be consistent among customers but each customer could potentially pay a different Schedule RG Administrative Charge because it is based on the number of renewable resources serving the customer as well as the MWhs produced by each renewable resource if that calculation yields an amount greater than \$500.<sup>121</sup>

Joint Respondents claimed that the Company failed to clearly explain the proposed \$500 or \$0.25 per month fee associated with the Schedule RG Administrative Charge and suggest the \$0.25 fee would cause Schedule RG to be “prohibitively expensive” for high load customers.<sup>122</sup> In an example given by Joint Respondents, a 100 MW solar project would result in a monthly administrative charge of approximately \$5,500 monthly, or over

<sup>120</sup> Dominion Reply at 11, Attachment D.

<sup>121</sup> Staff Report at 13, 14, and Attachment DOM-SCHEDULERG-000012, 13.

<sup>122</sup> Joint Respondents Comments at 16, 17.

\$65,000 annually. Joint Respondents maintain that an administrative charge of this magnitude should be clearly explained and adequately justified.<sup>123</sup>

Dominion responded by referencing its responses to Staff's interrogatories which it stated details the minimum monthly administrative costs associated with Schedule RG (Schedule RG Administrative Charge) as well as the estimated costs associated with the market solicitation and contract origination process (Schedule RG Charge).<sup>124</sup> Dominion further pointed to Walmart Comments in which they stated the \$500 or \$0.25 per MWh Schedule RG Administrative Charge is a "significant improvement of the Original Program," and thus is no longer a "deal breaker."<sup>125</sup> Dominion further references Walmart Comments in which Walmart stated that Dominion's proposed fee is less than the resulting administrative fees from a similar offering from Rocky Mountain Power.<sup>126</sup>

Overall, I find that the Company's charges and fees are reasonable based on the currently available information. This is not to say that Joint Respondent's concern regarding the cost basis of these fees and charges is without foundation. However, because there were no participants in the Pilot Program, there is no information on these fees and charges that is based on actual experience. Therefore, it is important for Staff to be able to review these charges once actual information is available for support. To this end, and as found below, there should be a review conducted by Staff either one year from the Final Order in this proceeding or when there are three separate and distinct entities enrolled in the Schedule RG program, whichever occurs first.

### **Minimum Contract Term**

Joint Respondents questioned the lack of a minimum contract term for projects under Schedule RG, suggesting that a long-term contract would allow project developers to better secure project financing.<sup>127</sup> The Company maintained there is no need for a defined minimum contract term as Schedule RG is not a subscription program. The Company pointed out that customers interested in continued Schedule RG participation can negotiate an extension to their agreement or simply engage in the enrollment process again.<sup>128</sup>

Staff is concerned that a Company Renewable Resource could be built at a customer's request and then be stranded before the end of its useful life. For that reason, Staff recommended the inclusion of a minimum contract term of 15 years as a part of Schedule RG and the Schedule RG Agreement.<sup>129</sup>

Dominion responded that it found the fifteen (15) year term or any other contract term, unnecessary given Schedule RG's structure and format. The Company stated that it designed Schedule RG to guard against the scenario Staff envisioned by developing

<sup>123</sup> *Id.* at 17.

<sup>124</sup> Dominion Reply at 11, Attachment C, and Attachment D.

<sup>125</sup> Walmart Comments at 6.

<sup>126</sup> Dominion Reply at 11, 12; Walmart Comments at 6.

<sup>127</sup> Joint Respondents Comments at 18.

<sup>128</sup> Dominion Reply at 12.

<sup>129</sup> Staff Report at 12.

Company Renewable Resources only for customers “willing to enter into an agreement sufficient to pay for the facility.” The Company further explained that, initially, it would conduct a standard credit review on all Schedule RG customers prior to finalizing a Schedule RG Agreement to mitigate the potential for defaults. In either of the two scenarios above, the Company stated that it would evaluate the following alternatives: (i) whether to solicit new Schedule RG customers for the renewable generation facility; (ii) whether to sell the energy and Environmental Attributes in the PJM market; and/or (iii) whether to sell the renewable generation facility.

Once operating, a Company Renewable Resource serving a Schedule RG customer “will never be placed into the Company’s cost of service revenue requirement that it collects from jurisdictional ratepayers.”<sup>130</sup> Dominion emphasized that this “ring-fencing” of revenues and costs associated with Schedule RG safeguards against non-participant cost subsidization and effectively eliminates the need for a Schedule RG minimum contract provision. Dominion pointed out that both Walmart and Staff agreed that Schedule RG is adequately “ring-fenced” to protect nonparticipants.<sup>131</sup>

I find no need to establish a minimum contract term as recommended by Joint Respondents and Staff. Further, I find that the Company’s plans and criteria for building a Company Renewable Resource for Schedule RG customers are reasonable and prudent and therefore, there is no need to protect nonparticipating rate payers. The fact remains that the Company bears the responsibility for Company Renewable Resource under Schedule RG and the Company’s jurisdictional rate payers are sufficiently protected from any loss from Company Renewable Resources constructed to serve Schedule RG customers.

### **Annual Report – Program Evaluation**

Joint Respondents maintained that Dominion should more clearly define the evaluation process for Schedule RG and that the evaluation process should include participating customers and other interested persons. Further, Joint Respondents stated that the evaluation process should begin before the Customer Cap is met. Joint Respondents stated that it is critical for participating customers and other interested persons to have the opportunity to provide feedback on Schedule RG both before and after the initial Customer Cap is met. Joint Respondents pointed out that the evaluation process could be structured in multiple ways such as hosting an annual meeting set for one year following program approval or by soliciting information as to how well the program meets the expectations of participating customers. Joint Respondents stated that a clearly defined evaluation process that includes all interested parties would be in the public interest and would help Dominion in its efforts to offer a well-designed tariff.<sup>132</sup>

The Company opposed Joint Respondents’ proposal for a pre-determined and defined evaluation process for Schedule RG. The Company maintained that, because of the nature of the program, the Company will be working continually with customers and the

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<sup>130</sup> Dominion Reply at 6, 7, Attachment A.

<sup>131</sup> *Id.* at 7.

<sup>132</sup> Joint Respondents Comments at 21, 22.



market to evaluate and improve this offering to increase efficiencies and customer participation. Further, as the program develops, the Company stated that it would continue to evaluate the potential benefits of organizing additional stakeholder meetings to obtain customer input and promote greater participation in Schedule RG.<sup>133</sup>

Staff recommended, allow an opportunity for ongoing evaluation by the Commission, it may be appropriate for the Company to file an annual report regarding the status of Schedule RG and the number of customers participating in it.<sup>134</sup> Staff recommended that the Company track actual costs associated with the solicitation and negotiation processes and include them in a report to the Commission.<sup>135</sup>

Staff noted that, because the Schedule RG Charge would be the result of negotiations on behalf of customers seeking to participate in Schedule RG, actual Schedule RG rates are unknown at this time and thus not available for Staff to review. Staff also noted that the absence of an actual Schedule RG rate may be detrimental to Staff's ability to adequately investigate and respond to customer complaints related to Schedule RG. Staff proposed as a possible solution to its concerns an amendment to Schedule RG and the Schedule RG Agreement that explicitly states that, upon request from a customer or Staff, the calculation of the Net Schedule RG Settlement be made available for review with all underlying variable and calculations clearly identified.<sup>136</sup>

Dominion responded that it would be unnecessary to file annual reports with the Commission because the Commission would have access to all Schedule RG calculations upon request. Dominion suggested changes to the confidentiality provision in the Schedule RG Agreement to allow access to the Commission, and believes such access affords the Commission ample opportunity to evaluate Schedule RG's Application Fee on a continual basis without forcing the time-consuming and cost-intensive burden on the Company of essentially tracking employee time. Dominion contended that its cost to track, measure, and compile the data recommended by Staff for inclusion in the annual reports would far exceed the Schedule RG Application Fee.<sup>137</sup>

In that regard, I find that the Company's proposed language to Section 17 of the Schedule RG Agreement regarding confidentiality is appropriate and should be approved. This language should remove any potential barriers to the sharing of information with Staff and participating customers.

However, I also find that the Commission should perform an annual review and evaluation of the Schedule RG program and that the Company, Schedule RG customers, and Staff should participate. Information regarding the cost basis of fees and charges should be made available and reviewed to ensure they are cost based. This evaluation

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<sup>133</sup> Dominion Reply at 13.

<sup>134</sup> Staff Report at 9.

<sup>135</sup> *Id.* at 12.

<sup>136</sup> *Id.* at 11, 12.

<sup>137</sup> Dominion Reply at 8.

should occur within a year of the date of the final order in this proceeding and continue until the Customer Cap of fifty (50) customers is attained.

It is important that participating customers and other interested persons have the opportunity to provide feedback on Schedule RG. This feedback can provide valuable information on the quality of Schedule RG, including the Schedule RG's ability to help customers achieve their renewable energy and/or greenhouse gas emission goals. Dominion should solicit information as to how well the program meets the expectations of participating customers, using the input to guide proposals to modify and/or improve the program. Relevant discoveries should be shared with Schedule RG customers and Commission Staff.

### **Options for Customers to Directly Negotiate and Execute Power Purchase Agreements**

Joint Respondents point out that Dominion proposes two methods for sourcing Schedule RG renewable energy supply: (i) develop and construct Company Renewable Resources; and (ii) solicit the PJM renewable energy suppliers. Further, Dominion stated that it would attempt to meet customers' requests for certain Renewable Generator types and locations, provided they meet the definition of "renewable energy" as defined by § 56- 576 of the Code and are interconnected with PJM.<sup>138</sup>

Joint Respondents point out, however, that Dominion's proposal does not provide customers with the option to directly negotiate and execute a power purchase agreement with a Renewable Generator. Under this proposal, the customer would bring an executed power purchase agreement to Dominion which would be incorporated into the Schedule RG Charge of the customer's Schedule RG Agreement. Joint Respondents contend that, as proposed, Dominion would attempt to incorporate customer preference for specific renewable Energy Generators, types, and locations, but the customer would have no opportunity to evaluate Schedule RG PPA terms and provisions. While Joint Respondents agree that Dominion has significant experience soliciting and contracting for energy supply, it does not have perfect insight into the specific needs and preferences of the customer nor does it have the same incentive as the customer to minimize risk. In short, Joint Respondents contend that Dominion may fall short of negotiating and executing cost-competitive Schedule RG PPAs for the customer that maximizes customer preference.<sup>139</sup>

Joint Respondents argued that, in some cases, the companies themselves are best positioned to negotiate and execute a power purchase agreement in a cost-effective way that maximizes their preferences. In some cases, customers can also negotiate lower prices due to factors like better credit ratings. Joint Respondents point out that all costs would be contained to the customer and would pose no risk to other ratepayers. Further, in scenarios where the participating customer is not interested in directly negotiating a power purchase agreement themselves, then Dominion could proceed with the process as proposed.<sup>140</sup>

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<sup>138</sup> Joint Respondents Comments at 9.

<sup>139</sup> *Id.* at 10, 11.

<sup>140</sup> *Id.* at 11.

Joint Respondents maintained that large non-residential customers have repeatedly asked for greater choice and autonomy when procuring renewable energy. Joint Respondents point out that multiple electric utilities have successfully implemented tariffs with the option for customers to directly negotiate and execute power purchase agreements with renewable energy suppliers. These electric utilities include Rocky Mountain Power, NV Energy, and Public Service Company of New Mexico (“PNM”). Joint Respondents stated that PNM’s Green Energy Rider convinced Facebook to triple the size of its Los Lunas data center in New Mexico and to source that electricity demand from the Rider, creating \$2 billion in total economic impact for the state.<sup>141</sup>

Like Joint Respondents, Walmart expressed concerns as to whether a participating customer under Schedule RG could bring a resource to the table as part of the contracting process.

The Company does not believe it should provide an option for customers to directly negotiate and execute power purchase agreements with renewable energy suppliers. The Company disputed Joint Respondents’ assertion that the Company is the only entity that can define the Schedule RG PPA terms. Rather the Company stated that it envisions an open dialogue in which customer input and preference is incorporated into the Schedule RG PPA terms and pricing. The Company asserted that customers would be allowed, and even encouraged, to identify and include renewable energy resources of their own choosing in the contracting process. The Company pointed out, however, that it assumes all risks associated in contracting for the customer’s purchase of electrical output and any associated Environmental Attributes. As a result, Dominion concluded that the final decision on the Schedule RG PPA terms should rest squarely with the Company.<sup>142</sup>

Dominion maintained that this contractual arrangement does not create a principal-agent problem as the Company is not acting as its customers’ agent; therefore, an agency relationship is neither created nor intended. However, the Company emphasized that it intends to work closely with its customers to contract for and provide a product they desire.<sup>143</sup>

I find that direct negotiation between a Schedule RG customer and an energy provider should not be approved, primarily because the Company is ultimately responsible in each contract situation. The Company has defined a process in which all parties would participate in the solicitation and contracting for renewable energy under Schedule RG. The Company has confirmed that the customer may solicit and bring Renewable Generator to the table and all parties, the energy provider, the Schedule RG customer and the Company would all be a party to, and participate in, the securing of renewable energy. This process, as defined by the Company, should also alleviate any concerns regarding transparency since all parties would participate in the solicitation and negotiating process. The fact that the participating customer would be a part of the solicitation and negotiation process, if it so chooses, avoids any principal-agent concerns.

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<sup>141</sup> *Id.* at 11-13.

<sup>142</sup> Dominion Reply at 9.

<sup>143</sup> *Id.*, n.25.

### **Experimental Program**

Staff suggested that Schedule RG be treated as an experimental program or, in the alternate, have a term limit if no customers have enrolled. The Company did not agree with Staff's suggested experimental treatment of Schedule RG. However, the Company agreed with Staff's term limit suggestion. I concur. It is not unreasonable to limit the program to a three-year term, if there are no customers enrolled within that time period. The Company stated that it believes the changes made to the Pilot Program, all based on customer feedback, will greatly increase customer interest and participation in Schedule RG. I find that Schedule RG should have a sunset provision of three years, instead of being deemed an experimental program, should those changes not be sufficient to increase customer participation.

### **FINDINGS AND RECOMMENDATIONS**

Based on the record of this proceeding, **I FIND** that:

1. Subject to the findings set forth below, Schedule RG should be approved;
2. Energy providers under Schedule RG should meet the requirements of § 56-576 of the Code;
3. The Company's proposed enrollment process and contract terms are reasonable and should be approved;
4. The Company's proposed fees and charges appear to be reasonable and should be approved;
5. Schedule RG should be limited to a three-year term if there are no customers enrolled within that time frame;
6. Due to the three-year time frame, Schedule RG need not be considered experimental;
7. The Company's proposed language regarding confidentiality in Section 17 of the Schedule RG Agreement should be approved;
8. The Company should maintain data that RECs associated with Schedule RG have been retired on behalf of participating customers;
9. The Company should provide full transparency and administrative tracking for RECs and make such information available to Commission Staff upon request;
10. The Company should file an annual report with the Commission pertaining to Schedule RG until the proposed Customer Cap of fifty (50) customers is reached to

allow for further evaluation of Schedule RG by the Company, the Commission, and other stakeholders. This report should include, among other information, the tracking of actual costs associated with the solicitation and negotiation process;

11. To allow for further evaluation of the reasonableness of the \$2,000 Application Fee and all other fees and charges, the Company should track actual costs associated with the fees and charges and include them in the annual report to the Commission;
12. Solicitation of projects and energy should be limited to projects interconnected and physically located within the PJM market;
13. A minimum contract term is unnecessary as jurisdictional rate payers are adequately protected from any stranded Company Renewable Resource; and
14. A further defined re-enrollment procedure is unnecessary.


In accordance with the above findings, **I RECOMMEND** the Commission enter an order that:

1. **ADOPTS** the findings contained in this Report;
2. **GRANTS** the Company's Application subject to the findings contained herein; and
3. **DISMISSES** this case from the Commission's docket of active proceedings.

### **COMMENTS**

The parties are advised that pursuant to Commission Rule 5 VAC 5-20-120 C of the Commission's Rules of Practice and Procedure, any comments to this Report must be filed with the Clerk of the Commission in writing, in an original and fifteen (15) copies, within twenty-one (21) days from the date hereof. The mailing address to which any such filing must be sent is Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been mailed or delivered to all counsel of record and any such party not represented by counsel.

Respectfully submitted,

  
Howard P. Anderson, Jr.  
Hearing Examiner

The Commission's Document Control Center is requested to mail or deliver a copy of the above Report to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, VA 23219.

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